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UNCLAS SECTION 01 OF 02 CHIANG MAI 000189

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SUBJECT: AIRPORT EXPANSION UNPREPARED FOR EARLY TAKE-OFF

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1. (SBU) Summary. Chiang Mai International Airport rushed to inaugurate a new international passenger terminal October 27, reportedly to be ready for the grand opening of the Royal Flora horticultural exposition on November 1. The hasty opening put immigration controls back on manual operations, in the absence of funds needed to transfer computers and other passenger tracking equipment. Mandated three years ago by former Prime Minister Thaksin Shinawatra and built by companies closely associated with the former government, the new facility can accommodate double the number of passengers now served. End summary

2. (U) One month after opening Bangkok's new Suvarnabhumi airport, Airports of Thailand (AOT) Managing Director Chotsak Asapaviriya inaugurated a new international terminal at Chiang Mai. The airport expansion, one of a number of construction projects by which former PM Thaksin sought to boost his home town, aimed to position Chiang Mai as the aviation hub of the Greater Mekong Subregion (GMS). Although the existing facility had not yet reached capacity and international passengers currently constitute only ten percent of total arrivals, the expansion provided room for 6.5 million passengers. The full 2 billion baht (USD 54 million) airport project is scheduled for completion in 2007.

----Security Left Behind----

3. (SBU) Despite the fact that Consulate and Department of State officials touring the unfinished terminal in July were told that the new facility would not be ready until January 2007, airlines learned on Oct. 16 that the new airport would open eleven days later. Security procedures suffered in the transition, as the PISCES traveler identification system funded by the U.S. Government remained behind at the old terminal. Days after the opening, international passengers were being checked into the country manually, with information entered into a computer system some time later. According to immigration contacts, the holdup was lack of funding, with an estimated 1.7 million baht (USD 46,000) needed to transfer the system.

----Construction Deals Tied to Thaksin----

4. (SBU) Consulate contacts in the construction business revealed that all contracts for the expansion were awarded to companies tied to former PM Thaksin's Thai Rak Thai (TRT) Party. The most lucrative projects went to Sino-Thai Engineering and Construction in Bangkok and Chiang Mai Construction Company, associated respectively with former Deputy Minister of Public

Health Anutin Charnvirakul and former Minister of the PM's Office Newin Chidchob. Other bids were won by companies connected to Thaksin's brother, former MP Payap Shinawatra, and former Deputy PM Suwat Limpatapanlop.

-----China Connections-----

¶15. (U) On the plus side, the airport expansion does provide the infrastructure for future growth in Chiang Mai tourism, trade, and services. The head of the Tourism Business Association of Chiang Mai, Songvit Ittipatanakul, whose company Standard Tours specializes in tours from China and Taiwan, told the Consul General that several Chinese airlines, including China Eastern, had visited Chiang Mai to "survey" the situation. For now, he said, most Chinese tourists arrive in the north via Bangkok, rather than on the twice-a-week flights to Kunming or four-times-a-week connection to Jinghong in Yunnan province. He urged AOT Director Chotsak to promote flights between Shanghai and Chiang Mai.

-----Growing Air Cargo Business-----

¶16. (U) The airport expansion also benefits Chiang Mai's growing air cargo business, which generates 610 million Baht (USD 16.5 million) sales volume annually, up from 410 million Baht (USD 11 million) six years ago. Thai Airways Cargo Manager Suchee Hiranyapreuk reported that electronics parts being exported from the industrial estate in nearby Lamphun make up the bulk of this revenue. Major air cargo destinations are Europe, Japan, Singapore and Hong Kong. Agricultural products from southwestern China, such as shitake mushrooms, pass through Chiang Mai for re-export to Japan; Suchee also cited fresh produce, flowers, and breeding dogs arriving from Kunming

¶17. (U) In addition to the new 15,450 square meter international terminal, the project has increased parking, expanded the cargo building and aircraft parking area, and lengthened the runway to 3,400 meters; USD 15 million remains

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for renovation of the domestic terminal, a fuel filling system, and rapid exit taxiway. The airfield itself dates back to 1921, when a Muslim immigrant from Yunnan donated land at the foot of Doi Suthep for a runway. Occupied by the Japanese air force during World War II, the field was strafed by the China-based "Flying Tigers" American Volunteer Group in 1942. Commercial passenger flights from Chiang Mai began in 1947.

¶18. (U) Currently Thai Airways International, China Airlines, Bangkok Airways, Lao Aviation, Mandalay Airlines, Air Asia, Tiger Airways, Silk Air (Singapore), and Hong Kong Express Airways fly from Chiang Mai to Kunming, Taipei, Jinghong, Luang Prabang, Rangoon, Mandalay, Kuala Lumpur, Singapore, and Hong Kong. Combined with international passengers who transit Bangkok, a total of 295,000 travelers per year pass through immigration procedures in Chiang Mai. These international arrivals account for slightly less than one-tenth of all passengers using the Chiang Mai airport.

-----Following the Tourism Trail-----

¶19. (U) Bangkok Airways, cited as the best example of a company working to take advantage of Chiang Mai's location and tourist appeal, operates direct flights to Jinghong in China's Yunnan province, as well as Thai tourist spots Samui and Sukhothai. The company plans to open a route between Chiang Mai and Cambodia's Siem Reap but currently lacks enough aircraft.

¶10. (U) Twice-a-week flights to Hong Kong, started in June by Hong Kong Express Airways, have done well so far, although the company reports a decline in Thai passengers since the opening weeks. The current timetable is more attractive for tourists from Hong Kong than those from Chiang Mai, who find themselves arriving in Hong Kong at 9 pm. Nevertheless, the airline plans to introduce Boeing 737s on the route next year to accommodate more passengers.

¶11. (SBU) Not all international flights have been successful, however; a Thai Airways (TG) Chiang Mai-Chittagong connection inaugurated in late 2002 closed three years later. While TG cited a need to allocate aircraft to other routes, a travel agent reported that the airline lost money as a result of having to send back Bangladeshi passengers who arrived with forged passports. The airport authority is now surveying potential destinations in India.

¶12. (U) Comment. Even without Chiang Mai-booster Thaksin in the driver's seat, his legacy of insider deals and unilateral decision-making combined with genuine infrastructure improvements lives on. While neither quite ready nor urgently needed, the new airport facility bolsters Chiang Mai's claim as the center of the Greater Mekong Subregion and positions it to take advantage of further trade and tourism openings to China and neighboring countries.
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